



- **US 10-year yield falls below 5% for first time in a month yesterday** ([link](#))
- **Investor stance turns more defensive** ([link](#))
- **Volatility of Brazilian real surges ahead of weekend election** ([link](#))
- **Japanese governments bonds rally on safe haven flows despite high inflation print** ([link](#))
- **Markets in Indonesia remain under pressure** ([link](#))
- **Investment grade corporate bonds and US Treasuries lag other markets in 2026** ([link](#))

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Markets Extend Decline as Oil Prices Remain High and Tech Worries Intensify

Markets in China and Hong Kong SAR staged a rebound but most of Asia was down overnight. European stocks are lower and US equity index futures point to a negative opening session, extending recent losses. Oil prices are up again today with Brent crude hitting its highest level since the early days of the war back in May. Credit spreads have finally begun to widen as worries about the technology sector gain ground. Meanwhile, a key market focus will be on Moody's review of French sovereign debt after the market close, when the rating agency will reveal if it will retain the country's Aa3 rating. A downgrade could increase the strains on the local government bond market. Yesterday's global equity selloff was largely technology driven and featured a rotation from technology and other momentum driven sectors to more defensive areas such as utilities. However, sentiment was fairly resilient. For example, the US market exhibited strong breadth in the midst of the selloff as the equal weight S&P 500 index actually had a positive session even though the main index lost 1.2%.

Key Global Financial Indicators

Last updated: 10/23/26 7:54 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
			%				%
Equities							
S&P 500		7663	-1.2	-1	-1	14	12
Eurostoxx 50		6050	-0.6	-2	-4	7	4
Nikkei 225		62693	-0.3	-4	-6	27	25
MSCI EM		62	-2.9	-4	-9	13	13
Yields and Spreads			bps				
US 10y Yield		4.99	3.7	-8	-12	99	82
Germany 10y Yield		3.34	0.5	-9	-22	76	48
EMBIG Sovereign Spread		209	12	15	41	-6	11
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.6	0.0	0	-1	-1	-2
Dollar index, (+) = \$ appreciation		101.8	0.2	0	1	3	4
Brent Crude Oil (\$/barrel)		114.3	1.0	4	11	73	88
VIX Index (%, change in pp)		19.7	0.7	0	5	2	5

Colors denote **tightening**/**easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Key Global Inflation and Energy Indicators

Last updated: 10/23/26 7:55 AM	Level	Change from Market Close					
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas			%				
Brent Crude Oil (\$/barrel)		114	1.0	4	11	73	88
WTI Crude Oil (\$/barrel)		101	1.2	-1	9	63	75
Natural Gas (Netherlands TTF)		93	3	6	29	187	239
Breakeven Inflation		%	bps				
USD: 2Y		2.6	0.7	-1	13	-17	32
USD: 5Y		2.5	0.1	0	1	-4	17
USD: 5Y5Y		2.4	1	-2	-4	-7	-6
EUR: 2Y		3.0	1.3	6	14	129	134
EUR: 5Y		2.4	-1	-2	0	61	64
EUR: 5Y5Y		2.1	-1	-4	-5	2	2

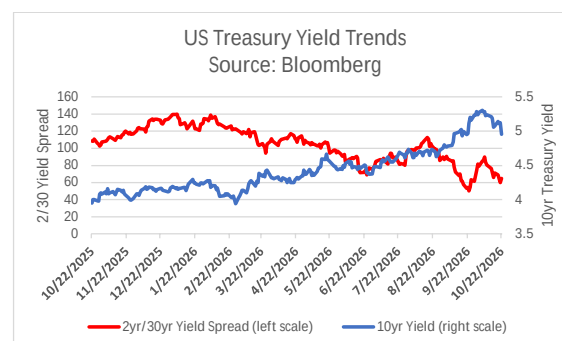
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Mature Markets

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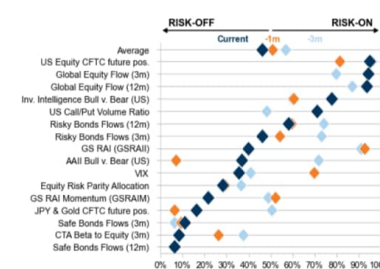
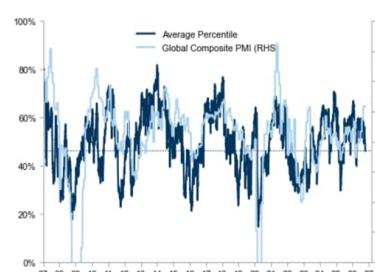
United States

The US Treasury 10-year yield traded below 5% for the first time in a month yesterday, driven by continued safe haven buying. Some contacts view this as a sign that the recent surge in US interest rates was driven less by fiscal concerns, like in France and Japan, and more by expectations of continued US economic strength and a more hawkish Fed. They point to the fact that the ACM 10-year term premium has changed very little in 2026, and that the yield curve has flattened through most of the year, the opposite of what would occur if investors were demanding more premium to own longer maturity debt. Other market signals that appear to justify this more optimistic view of the US rate move include widening interest rate swap spreads and flat asset swap spreads for US Treasuries. In contrast, French OAT asset swap spreads have widened significantly due to fiscal concerns. Others disagree with this optimistic view, warning that US fiscal risk is too high and predicting that the market will reflect this in the future.



Market sentiment is becoming more defensive, according to analysis by Goldman. The bank's proprietary sentiment indicator has fallen to the 46th percentile, which is the weakest level since April. Survey data from the American Association of Individual Investors (AAII) also

Our positioning and sentiment indicator is at the 46th-ile

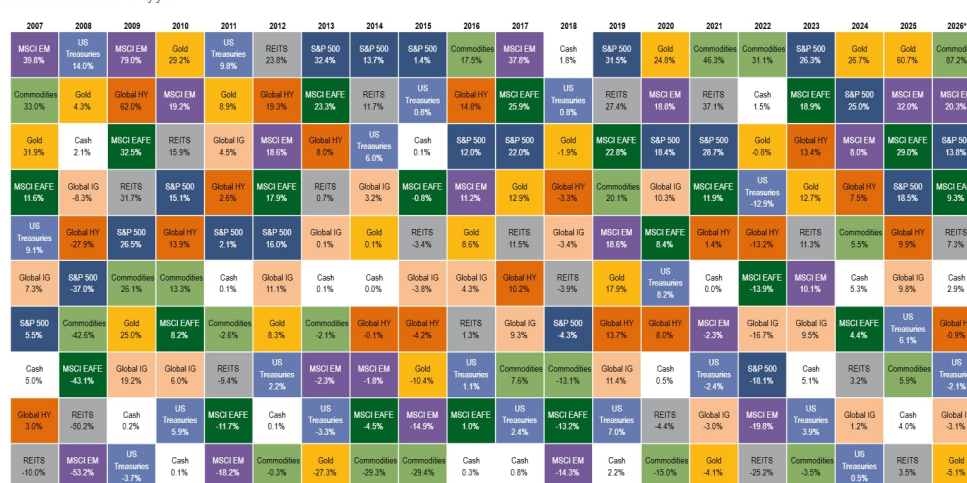


Source: Datastream, Haver Analytics, Goldman Sachs Global Investment Research

supports a more cautious stance. Position data from risk parity funds and commodity trading advisors indicates that they are in "risk-off" mode. Hedge fund net leverage has decreased significantly as they scale back their risk-taking. Inflows into safe havens such as gold and the yen have increased despite the recent weakness in both. Asset managers have reduced their positions in US Treasury futures, and market participants appear to be underweight duration (interest rate risk). The equity market has seen a defensive rotation as worries about the AI buildout and the potential for disappointing AI-related profits grip investors. However, equity volatility has been much more subdued than interest rate volatility, and the major US equity indexes remain close to all-time highs. The S&P 500 is less than 2% below its record close on October 6, while the equal weight S&P 500 is less than 0.5 % below its record high.

Investment grade corporate bonds and US Treasuries are among the worst performing assets this year, along with gold. Although not featured in the chart below, French OATs are also among the worst performing instruments in 2026. Even cash has outperformed these asset classes as short term rates reached their highest level in years. Commodities and emerging market equities are among the strongest performers, although the ongoing technology selloff has hit previous-high flyers such as South Korea and Taiwan POC more recently, and China is down more than 20% from its June high, well into bear market territory. US stocks have done better than their European counterparts as political worries in France put pressure on regional markets, with European banks especially hard hit because of their large holdings of French OATs. Despite the recent technology selloff, flows into US and East Asian technology mutual funds as well as individual technology stocks and ETFs are at the highest levels in history although the most recent trading sessions have seen outflows.

Chart 24: Historical asset class performance by year
Ranked cross asset returns by year

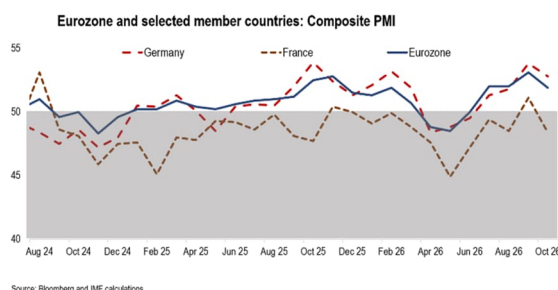


Source: BofA Global Investment Strategy, Bloomberg *2026 YTD

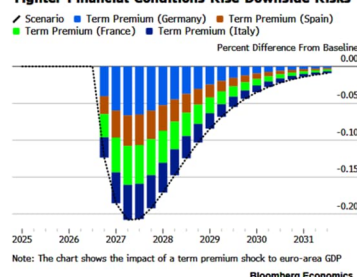
BoFA GLOBAL RESEARCH

Euro Area

European equities extended losses this morning, with the Stoxx 600 index down by -0.5% (-1.6% on the week) and all regional bourses in the red. The euro returned to lose ground (-0.2%) against the dollar, trading at around \$1.1197 /€, after money markets have scaled down ECB rate-hike bets in the last two days despite the continued rise of energy costs, pricing-in 64bps of ECB tightening over the next 12 months against 73bps priced-in on Wednesday. Today's data showed Euro-area activity slowing in October, with the composite PMI down to **51.9 from 53.1 in September**, below expectations but still signaling growth (above the 50 threshold). France was the main drag, as its PMI dropped to **48.4 from 51.1**, while Germany remained stronger at **52.8**, led by upside surprise in the manufacturing PMI (54.2 in October, vs. est. 53.5, form prior 53.9). The OAT-Bund spread narrowed by 3bps to 171bps ahead of Moody's review of France's sovereign rating after market close today.

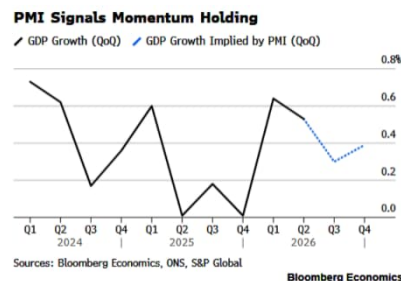


Tighter Financial Conditions Rise Downside Risks



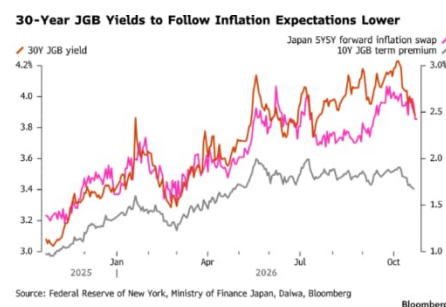
United Kingdom

The pound slid (-0.2%) against the dollar this morning, to trade at \$1.3374/£, with UK equities down -0.5% and gilts yields adding 3bps across the curve (2-year yield at 4.92% and 10-year at 5.35%) after today's October PMI surprised to the upside, firming-up expectations of Bank Rate hikes by the Bank of England (110 bps of tightening priced in over the next 12 months, against 104 priced-in yesterday). The composite PMI rose to 53.1 from 52.0 in September, well above expectations. Analysts at Bloomberg view this as pointing to stronger momentum in both services and manufacturing and believe that, if sustained, it could be consistent with GDP growth of around 0.4% q/q in Q4, above Bloomberg's current 0.2% forecast. **Bloomberg** expects the Bank of England to raise rates by 25bp in November, followed by another 25bp hike in February 2027.



Japan

Japanese government bonds rallied sharply (10y: -6.5 bps to 2.80%), as the global technology selloff increased demand for haven assets. The move came despite September inflation data supporting the case for further BOJ normalization: headline and core inflation rose to 2.1% y/y, while inflation excluding fresh food and energy accelerated to 2.4% y/y, all above the BOJ's 2% target, according to the Ministry of Internal Affairs and Communications. Market commentary noted that further tightening could support super-long JGBs over the medium term by anchoring long-run inflation expectations, although fiscal concerns and bond supply continue to keep the term premium elevated. Economists expect the BOJ to leave rates unchanged at its Oct 29–30 meeting, with the next hike widely anticipated in December. Today, the yen initially strengthened on haven demand but reversed its gains as reportedly profit-taking, leaving it around ¥156.8/\$. The stock market trimmed losses, with the Nikkei index recovering from a decline of as much as -2.3% to close -0.3% lower.



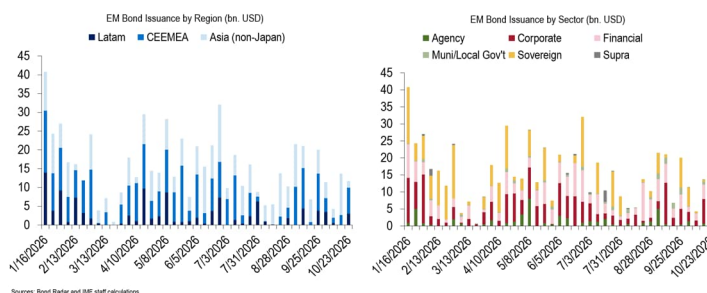
Emerging Markets

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EMEA risk assets continued to sell off this morning as global risk sentiment remained subdued and Brent prices continued to rise. Russia stayed on hold at 14% for a second month as expected despite rising energy costs. While most Gulf bourses are closed on Fridays, UAE stocks were sharply lower at -1.4%. **EM Asian equities gained overall (EM Asia: +0.6%), led by rebounds in China (CSI 300: +1.7%) and Hong Kong SAR (HSI: +0.7%).** Korea's KOSPI recovered from losses of as much as -4.1% to close +0.3% higher. **Latin American currencies were mixed while equities declined across the region amid a broader selloff in emerging-market assets.** Stocks were hard hit, led by Peru (-4.7%), Chile (-1.9%), Colombia (-1.3%), and Brazil (-1.2%).

EM Bond Issuance

EM bond issuance moderated after last week's rebound. Through Thursday, issuance totaled \$11.7bn, down from \$13.7bn the previous week. Asia ex-Japan continued to dominate supply, accounting for the majority of issuance, followed by CEEMEA, while Latin America represented a relatively small share of



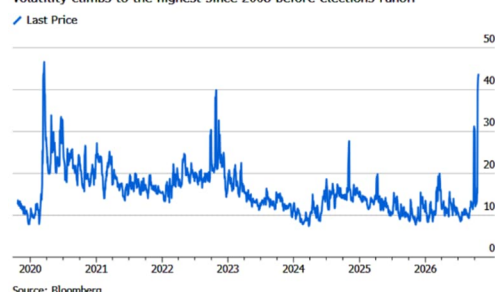
overall volume. Corporates and financials remained the main source of issuance, while sovereign and agency borrowers accounted for a smaller portion of activity. Most bonds carried fixed coupons, while the limited floating-rate issuance came primarily from Asian financial institutions. Despite the weekly slowdown, issuance remained broadly in line with recent weekly averages.

Brazil

Brazilian real volatility surged ahead of presidential runoff.

The strong rally in Brazilian assets following Flávio Bolsonaro's first-round election result is showing signs of strain as the presidential race tightens ahead of Sunday's runoff. Bloomberg reports that one week implied volatility on the Brazilian currency has climbed to its highest level since 2008, reflecting growing demand for protection against election-related market swings. Recent polls suggest the gap between Bolsonaro and the incumbent Luiz Inácio Lula da Silva has narrowed considerably, increasing uncertainty around the election outcome and prompting investors to hedge currency risk more aggressively. Local markets have been weak in recent days, reflecting the heightened uncertainty.

1-Week Implied Volatility on the Real Surges
Volatility climbs to the highest since 2008 before elections runoff

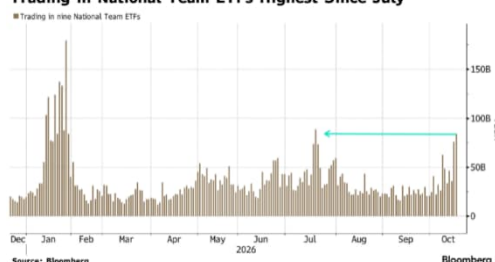


China

Chinese equities rebounded, with the CSI 300 closing +1.7% higher after falling as much as -1.9% earlier, as trading in ETFs associated with the state-backed “national team” accelerated.

Turnover across nine such ETFs reached 84 bn yuan (\$12.6 bn), the highest since July 20, according to Bloomberg-compiled data. Analysts noted that state-backed buying may provide a near-term floor but is unlikely to sustain a recovery without stronger domestic consumption, investment, and corporate earnings. Leveraged investors also remained cautious, with outstanding margin financing falling to the lowest level in a year. Meanwhile, government bonds auctions drew strong demand amid low funding costs and expectations of monetary easing. The Ministry of Finance sold 15.5 bn yuan (\$2.3 bn) of offshore sovereign bonds in Hong Kong SAR at record-low yields for most maturities, while the onshore 30-year auction drew its highest bid-to-cover ratio going back to 2007, according to Bloomberg.

Trading in National Team ETFs Highest Since July



Indonesia

Indonesian sovereign and corporate debt came under pressure after MSCI's proposed equity reclassification.

Foreign holdings of Indonesian government bonds fell by \$436 mn after the October 15 announcement, based on finance ministry data, while five- and 10-year sovereign yields rose about 20 bps since Oct 15. In offshore corporate credit, the average spread of Indonesian dollar bonds over regional peers widened by 28 bps to 67 bps, the highest since 2020, after the MSCI move, according to Bloomberg.

Extra Spread on Indonesian Notes Over Asian Peers Grows
Average credit spread on Indonesian company dollar bonds over broader Asia gauge



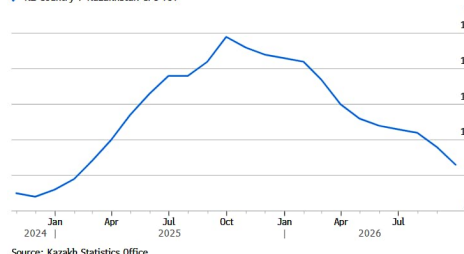
Bank Indonesia said it would calibrate its issuance of rupiah securities to maintain adequate money-market liquidity and preserve their attractiveness to foreign investors. The central bank has reportedly purchased about IDR135 tn (\$7.4 bn) of government bonds in the secondary market this year, including IDR13 tn (\$0.7 bn) in October. Today, the stock market rebounded (JCI: +1.0%), supported by energy shares and improved sentiment following purchases by sovereign wealth fund Danantara, taking the JCI's weekly gain to 4.9% after the previous week's sharp selloff.

Kazakhstan

Kazakhstan cut its policy rate by 50 bps to 15.75% as inflation slowed. The fourth consecutive cut followed a decline in annual inflation to 9.3% in September, the lowest since February 2025. However, the central bank signaled little scope for further easing this year, citing elevated price pressures and upside inflation risks. The tenge's appreciation of more than 12% against the dollar this year helped curb inflation, while higher oil prices lifted the first-half current-account surplus to \$2.4 billion. The stronger currency also dampened foreign investor appetite and prompted the central bank to delay planned oil-fund FX sales of up to \$300 million a month amid excess FX supply, Bloomberg writes.

Kazakh Inflation Slowed to 9.3% in September
Price growth reached the lowest level since February 2025

■ KZ Country > Kazakhstan CPI YoY



Türkiye

Türkiye's central bank resumed easing with a 100 bps cut to 36% yesterday, but a narrowing return advantage of lira deposits over dollar assets could constrain further cuts. Weak demand supported the decision, with inflation-adjusted household loan growth turning negative. Barclays expects another 100 bps cut in December but estimates this would lower residents' dollar-equivalent lira deposit returns to around 7.8% annualized at the current pace of depreciation, versus roughly 6% on one-year sovereign Eurobonds—leaving a thin incentive to retain currency exposure. Maintaining demand for lira savings may therefore require slower depreciation or lower deposit taxes, Barclays writes. Goldman Sachs also flagged the risk of further reserve losses, following a \$30 billion decline over the past year excluding valuation effects.

FIGURE 1. Lower USD denominated return from TRY deposits for residents

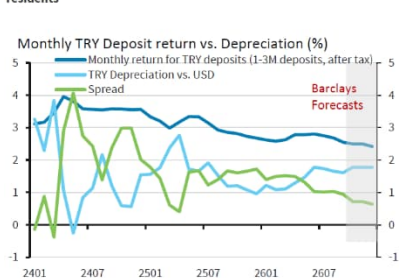
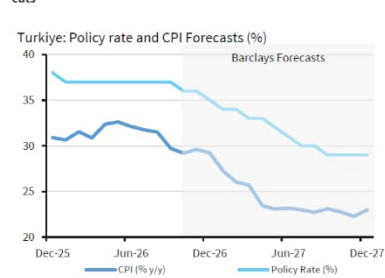


FIGURE 2. We expect the CBT to continue its easing cycle with 100bp cuts



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (Deputy Division Chief). Fabio Cortes (Senior Economist), Timothy Chu (Financial Sector Expert-New York Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Senior Financial Sector Expert), Johannes S. Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Analyst), Mindaugas Leika (Senior Financial Sector Expert), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia L. Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Lawrence Tang (Senior Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Jeremie Benzaken (Administrative Coordinator), Olivia Marr (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

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Global Financial Indicators

Last updated: 10/23/26 7:56 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		7,663	-1.2	-1.0	-0.6	13.7	12
Europe		6,050	-0.6	-2.5	-4.0	6.7	4
Japan		62,693	-0.3	-4.0	-5.5	27.2	25
China		4,105	1.7	-1.6	-7.5	-11.9	-11
Asia Ex Japan		106	-3.2	-4.1	-10.2	12.9	14
Emerging Markets		62	-2.9	-3.5	-8.8	12.8	13
Interest Rates			basis points				
US 10y Yield		5.0	4	-8	-12	99	82
Germany 10y Yield		3.3	1	-9	-22	76	48
Japan 10y Yield		2.8	-6	-12	-18	114	74
UK 10y Yield		5.3	2	-3	0	92	87
Credit Spreads			basis points				
US Investment Grade		124	2	5	12	2	11
US High Yield		368	16	13	67	10	28
Exchange Rates			%				
USD/Majors		101.8	0.2	0.0	0.7	2.9	4
EUR/USD		1.12	-0.2	-0.4	-1.7	-3.7	-5
USD/JPY		156.9	0.1	-0.7	-0.9	2.8	0
EM/USD		45.6	0.0	-0.1	-0.6	-0.7	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		114.3	1.0	4.0	16.5	79.8	90
Industrials Metals (index)		172.6	0.8	0.3	-4.6	12.3	6
Agriculture (index)		59.9	0.1	-2.0	-4.8	8.7	12
Gold (\$/ounce)		4024.6	0.0	-3.4	-6.1	-2.5	-7
Bitcoin (\$/coin)		81604.1	0.5	0.9	-3.1	-25.5	-7
Implied Volatility			%				
VIX Index (% change in pp)		19.7	0.7	-0.3	4.5	2.4	4.8
Global FX Volatility		7.0	0.0	0.2	0.1	-0.2	0.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		107	-2	16	24	41	48
Italy		124	0	18	29	45	54
France		173	-2	35	62	93	102
Spain		71	0	11	23	18	28

Colors denote **tightening**/**easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Emerging Market Financial Indicators

10/23/2026 7:57 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+) = EM appreciation					% p.a.						
China		6.67	0.1	0.3	0.6	6.8	4.8		1.7	0	-1	-3	-17	-22
Korea*		1325	0.1	0.7	3.2	8.5	9.0		4.2	0	-5	-34	143	91
Indonesia		18080	-0.1	-0.3	-1.4	-8.0	-7.7		7.3	2	14	27	142	129
India		95	-0.1	0.0	0.8	-7.5	-5.3		8.3	-8	2	-10	150	124
Philippines		64	-0.1	-1.0	-1.5	-7.8	-7.3		6.3	-4	8	23	157	159
Thailand		34	-0.1	-1.0	-1.0	-2.9	-6.7		2.3	-2	-2	1	55	59
Malaysia		4.09	-0.1	-0.1	-0.1	3.5	-0.6		3.9	0	4	-1	41	38
Argentina		1528	-0.1	-0.9	-0.9	-2.6	-5.0		0.0	0	0	0	-4928	-3237
Brazil		5.05	-0.4	1.0	1.1	7.1	8.9		12.9	9	-1	-101	-83	-67
Chile		990	-0.4	-0.6	-2.8	-4.6	-9.0		5.9	0	3	11	55	64
Colombia		3177	0.4	-0.2	0.9	23.1	18.8		13.0	4	9	38	142	16
Mexico		18.80	-0.5	-1.7	-6.8	-2.1	-4.2		9.1	-3	3	-7	51	17
Peru		3.4	-0.3	-0.6	-2.3	-1.1	-2.4		6.7	1	18	13	63	93
Uruguay		40	0.0	0.1	-0.1	-0.6	-2.4		7.8	0	2	17	3	27
Hungary		328	-0.4	-1.3	-2.0	2.5	-0.1		5.7	5	19	3	-84	-88
Poland		3.93	-0.6	-1.0	-2.1	-7.3	-8.6		5.8	-5	11	26	107	127
Romania		4.8	-0.3	-1.0	-3.1	-8.5	-9.3		6.9	0	-2	-14	-18	22
Russia		80.6	1.5	3.7	5.4	1.1	-2.2							
South Africa		16.6	-0.6	-0.7	-1.4	4.4	-0.2		8.9	3	-11	1	-45	31
Türkiye		49.74	-0.2	-0.4	-1.8	-15.7	-13.6		34.5	12	6	10	175	488
US (DXY; 5y UST)		102	0.2	0.0	0.7	2.9	3.5		4.82	5	-5	-19	121	109

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)				YTD	Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		4,105	1.7	-1.6	-7.5	-11.9	-11.3		5	2	5	-3	-2
Korea*		5,550	0.3	-2.1	-21.6	40.8	31.7		25	1	3	1	4
Indonesia		5,439	1.0	4.9	-12.9	-34.2	-37.1		131	19	49	49	56
India		73,124	-0.2	-1.6	-1.0	-13.2	-14.2		104	7	25	24	28
Philippines		5,729	-0.9	-0.9	-1.7	-4.3	-5.4		111	14	43	47	49
Thailand		1,563	0.0	-0.8	-2.8	18.9	24.1						
Malaysia		1,612	0.2	0.2	-3.6	-0.1	-4.1		71	8	19	9	14
Argentina		2,848,945	-0.4	-0.4	-4.1	38.6	-6.6		706	59	139	-385	140
Brazil		204,120	-1.2	-0.1	9.9	40.1	26.7		166	-1	7	-36	-33
Chile		5,410	-1.9	-1.8	-5.9	13.7	-0.2		103	7	17	4	13
Colombia		2,528	-1.2	-1.5	-3.2	31.3	22.3		231	11	27	-32	-47
Mexico		69,890	-0.5	3.3	8.7	13.6	8.7		225	6	30	6	6
Peru		3,328	-5.4	-6.3	-5.8	44.7	28.8		121	4	18	-2	-8
Hungary		142,049	0.0	-1.7	-6.1	36.3	27.9		115	15	26	-9	-17
Poland		156,880	-0.8	-2.1	-0.4	40.6	33.8		115	16	27	25	27
Romania		34,783	-0.7	0.2	9.8	55.9	42.3		203	21	39	5	33
South Africa		108,693	0.2	-2.0	-2.6	-1.9	-6.2		218	16	31	-26	3
Türkiye		10,860	-3.2	-7.4	-18.0	2.4	-3.6		263	14	35	11	44
EM total		62	-0.3	-3.5	-8.8	12.8	12.8		209	15	41	-6	11

Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

*Not an EM Under IMF Classification.

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